



STATEMENT OF AT&T CONNECTICUT

**Regarding Raised Senate Bill No. 815
An Act Concerning a Moratorium on Business Tax Credits
and
Raised House Bill No. 6348
An Act Concerning Corporation Business Tax Credits
Before the Committee on Finance, Revenue and Bonding
February 9, 2009**

Proposal:

Raised Senate Bill No. 815 places a two year moratorium on the "award of any tax credits allowed". It is unclear whether award would cover just the earning of a new credit and a taxpayer could still use carryforwards of credits from prior years or whether award refers to the ability to earn current year credits and utilize prior year credits. The bill does provide that the lost credits shall be allowed beginning in 2011 after the expiration of the moratorium. Assuming the intent is not to allow credits to reduce liability at all during 2009 and 2011, the bill would have significant impacts on AT&T tax liability.

Raised House Bill No. 6348 places a cap on maximum credits that all business can claim, creates a burdensome voucher program to administer the credits, and eliminates the ability to carry forward credits.

Comments:

AT&T opposes Raised Senate Bill No. 815 which places a two year moratorium on the award of credits and Raised House Bill No. 6348 which eliminates carryforwards of credits and introduces a burdensome voucher program to limit the use of current year credits, and urges the committee to reject them. Curtailing the use of credits raises three major concerns: it breaks a commitment made to business who undertook the activities that Connecticut wanted to foster, it places Connecticut businesses a disadvantage by increasing the cost of doing business in the state, and it discourages capital investment in Connecticut.

Each of the credits in the Connecticut tax statute was created to encourage taxpayers to undertake certain investments or activities. Businesses that made those investments did so in good faith that Connecticut would keep its commitment. By curtailing the use of credits, Connecticut will be sending a message that it does not follow through with its commitment. This will curtail future investment decisions by taxpayers.

Conclusion:

We are facing troubling economic times. The federal Government and other states are debating how to encourage investments to stimulate jobs and the economy. The federal stimulus package before Congress increases the current year ability to utilize existing credits for this reason. In contrast, Connecticut will be sending the opposite message and discouraging this investment. The end result will be to increase the costs of doing business in the state and making more difficult for Connecticut businesses to rebound in this economy.